

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Central Lake Township	County Antrim
Fiscal Year End March 31, 2006	Opinion Date July 12, 2006	Date Audit Report Submitted to State September 18, 2006	

We affirm that:

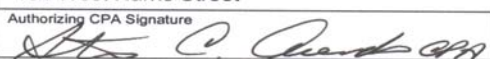
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☐ ☒ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Steven C. Arends	License Number 1101013211

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY

CENTRAL LAKE, MICHIGAN

MARCH 31, 2006

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3-4
Reconciliation of the Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6-7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	8
Fiduciary Funds	
Statement of Fiduciary Net Assets	9
Notes to Financial Statements	10-21
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	22-23
Combining and Individual Fund Financial Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	25
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	26
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	27-28
<u>Fire Fund</u>	
Balance Sheet	29
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	30-31
<u>Public Improvement Fund</u>	
Balance Sheet	32
Statement of Revenues, Expenditures and Changes in Fund Balance	33

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

Agency Funds

Current Tax Collection Fund

Statement of Changes in Assets and Liabilities	34
------------------------------------------------	----

Other Information

Statement of 2005 Tax Roll	35-36
Statement of 2005 Industrial Facilities Tax Roll	37
Letter of Comments and Recommendations	38-39
Letter of Reportable Conditions	40-41

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Central Lake Township
Antrim County
Central Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Central Lake Township, Antrim County, Central Lake, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Central Lake Township, Antrim County, Central Lake, Michigan, as of March 31, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on pages 22 and 23 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lake Township, Antrim County, Central Lake, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Central Lake Township, a general law township located in Antrim County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Central Lake Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,241,581. Of this amount, \$755,129 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,160,801, an increase of \$153,525 in comparison with the prior year. About 65.05% is available for spending at the Township's discretion.
- ◆ The Township's was not obligated for any debt at end of the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,241,581 at March 31, 2006, meaning the Township's assets were greater than its liabilities by this amount.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Central Lake Township
Net Assets as of March 31, 2006

	<u>Governmental Activities</u>
Assets	
Current Assets	\$ 1,161,508
Non Current Assets	
Capital Assets	\$ 1,416,294
Less: Accumulated Depreciation	<u>(335,514)</u>
Total Non Current Assets	<u>\$ 1,080,780</u>
Total Assets	<u><u>\$ 2,242,288</u></u>
Liabilities	
Accounts Payable	<u>\$ 707</u>
Net Assets	
Invested in Capital Assets	\$ 1,080,780
Restricted for Specific Purposes	405,672
Unrestricted	<u>755,129</u>
Total Net Assets	<u><u>\$ 2,241,581</u></u>
Total Liabilities and Net Assets	<u><u>\$ 2,242,288</u></u>

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others) less any related debt that is outstanding that the Township used to acquire the asset. The Township has \$755,129 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets both for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$206,153, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Central Lake Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 89,122
Capital Grants and Contributions	4,755
General Revenues	
Taxes	426,941
State Grants	89,880
Interest Earnings	27,318
Other	<u>9,164</u>
Total Revenues	<u>\$ 647,180</u>
<u>Expenses</u>	
Legislative	\$ 51,432
General Government	160,268
Public Safety	163,729
Public Works	60,149
Culture and Recreation	<u>5,449</u>
Total Expenses	<u>\$ 441,027</u>
Change in Net Assets	\$ 206,153
NET ASSETS - Beginning of Year	<u>2,035,428</u>
NET ASSETS - End of Year	<u><u>\$ 2,241,581</u></u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$206,153 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Central Lake Township comes from property taxes. The Township levied a millage for public improvement and fire protection, in addition to the operating millages, this fiscal year. The Township levied 0.9718 mills for operating purposes, 0.9390 mills for public improvement, and 1.800 mills for fire protection.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation.

The Township's governmental activities expenses are dominated by public safety expenses that total 37.12% of total expenses. The Township spent \$163,729 in fiscal year 2006 on Public Safety expenses. General Government represented the next largest expense at \$160,268, or 36.34% of total expenses.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Central Lake Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Central Lake Township's governmental funds reported combined ending fund balances of \$1,160,801. Approximately 65.05% of this total amount (\$755,129) constitutes unreserved fund balance. The remainder of the fund balance is reserved or designated for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures that relate to fire protection.

General Fund – The General Fund increased its fund balance by \$75,120 which brings the fund balance to \$652,312. \$648,422 of the General Fund's fund balance is unreserved. Fund balance has been reserved for telecommunications right-of-way maintenance in the amount of \$2,890 and for a DTE grant for the planting of trees in the amount of \$1,000. The following functions ended the year with expenditures above budgeted amounts: Legislative and Elections. The remaining functions of the General Fund ended the year with expenditures below budgeted amounts. State shared revenues were collected in the amount of \$86,990.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Fire Fund – The Fire Fund increased its fund balance by \$26,649 which brings the fund balance to \$218,105. This balance is reserved and must be used for fire protection.

The Township levied a fire millage on the 2005 tax roll. This resulted in \$190,355 in tax related revenues during the current fiscal year.

Public Improvement Fund – The Public Improvement Fund increased its fund balance by \$13,683 which brings the fund balance to \$130,227. This balance is reserved and must be used for public improvement.

The Township levied a public improvement millage on the 2005 tax roll. This resulted in \$102,212 in tax related revenues during the current fiscal year.

Equipment Replacement Fund – The Equipment Replacement Fund increased its fund balance by \$25,038 which brings the fund balance to \$26,191.

Budget Stabilization Fund – The Budget Stabilization Fund increased its fund balance by \$1,548 which brings the fund balance to \$41,066.

Longevity Fund – The Longevity Fund increased its fund balance by \$11,883 which brings the fund balance to \$39,450.

Perpetual Care Fund – The Perpetual Care Fund decreased its fund balance by \$(396) which brings the fund balance to \$53,450. This balance is reserved and must be used for perpetual care.

Proprietary Fund The Township does not maintain any proprietary funds.

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$1,080,780 net of accumulated depreciation.

Capital assets summarized below include any items purchased with a cost greater than \$5,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED MARCH 31, 2006

Central Lake Township
Capital Assets as of March 31, 2006

	Governmental Activities
Land	\$ 219,181
Buildings and Improvements	643,792
Infrastructure	89,829
Vehicles and Equipment	463,492
	<hr/> \$ 1,416,294
Less Accumulated Depreciation	(335,514)
	<hr/>
Net Capital Assets	\$ 1,080,780
	<hr/> <hr/>

Major capital asset events during the current fiscal year included:

- Improvements to the fire hall at a cost of \$9,780.
- Paving Dawson, Kiessel and Childs Roads at a cost of \$89,829.
- Receipt of a new voting machine through a state grant program at a value of \$4,755.
- Purchase of a thermal imaging camera at a cost of \$12,315.

Long-Term Debt. At the end of the current fiscal year, the Township did not have any long-term debt outstanding.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Central Lake Township at P.O. Box 748, Central Lake, Michigan 49646.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 260,985
Investments	393,606
Taxes Receivable	42,406
Due from External Parties (Fiduciary Fund)	443,692
Due from Other Governments	20,819
Total Current Assets	<u>\$ 1,161,508</u>
<u>CAPITAL ASSETS</u>	
Land	\$ 219,181
Buildings and Improvements	643,792
Infrastructure	89,829
Vehicles and Equipment	463,492
	<u>\$ 1,416,294</u>
Less Accumulated Depreciation	335,514
Net Capital Assets	<u>\$ 1,080,780</u>
TOTAL ASSETS	<u><u>\$ 2,242,288</u></u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Accounts Payable	<u>\$ 707</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	\$ 1,080,780
Restricted for:	
Telecommunications Right of Way Maintenance	2,890
DTE Grant for Planting of Trees	1,000
Fire Protection	218,105
Public Improvement	130,227
Perpetual Care	53,450
Unrestricted	<u>755,129</u>
TOTAL NET ASSETS	<u>\$ 2,241,581</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,242,288</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	TOTAL
					GOVERNMENTAL ACTIVITIES
<u>PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES</u>					
Legislative	\$ 51,432	\$ 0	\$ 0	\$ 0	\$ (51,432)
General Government	160,268	13,246	0	4,755	(142,267)
Public Safety	163,729	14,300	0	0	(149,429)
Public Works	60,149	61,576	0	0	1,427
Culture and Recreation	5,449	0	0	0	(5,449)
Total	<u>\$ 441,027</u>	<u>\$ 89,122</u>	<u>\$ 0</u>	<u>\$ 4,755</u>	<u>\$ (347,150)</u>
<u>GENERAL REVENUES</u>					
Taxes					\$ 426,941
State Grants					89,880
Interest Earnings					27,318
Other					9,164
Total General Revenues					<u>\$ 553,303</u>
Change in Net Assets					\$ 206,153
NET ASSETS - Beginning of Year					<u>2,035,428</u>
NET ASSETS - End of Year					<u>\$ 2,241,581</u>

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET
MARCH 31, 2006

	GENERAL FUND	FIRE FUND	PUBLIC IMPROVEMENT
<u>ASSETS</u>			
Cash	\$ 164,776	\$ 4,810	\$ 1,355
Investments	273,892	22,941	26,660
Taxes Receivable	11,160	20,521	10,725
Due from Other Funds	182,372	169,833	91,487
Due from Other Governments	20,819	0	0
	<hr/>		
TOTAL ASSETS	\$ 653,019	\$ 218,105	\$ 130,227
<hr/>			
<u>LIABILITIES AND FUND BALANCE</u>			
<u>LIABILITIES</u>			
Accounts Payable	\$ 707	\$ 0	\$ 0
	<hr/>		
<u>FUND BALANCE</u>			
Reserved for:			
Telecommunications Right-of-Way Maintenance	\$ 2,890	\$ 0	\$ 0
DTE Grant for Planting of Trees	1,000	0	0
Fire Protection	0	218,105	0
Public Improvement	0	0	130,227
Perpetual Care	0	0	0
Unreserved	648,422	0	0
	<hr/>		
Total Fund Balance	\$ 652,312	\$ 218,105	\$ 130,227
	<hr/>		
TOTAL LIABILITIES AND FUND BALANCE	\$ 653,019	\$ 218,105	\$ 130,227

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS		TOTALS
\$	90,044	\$ 260,985
	70,113	393,606
	0	42,406
	0	443,692
	0	20,819
\$	160,157	\$1,161,508

\$	0	\$ 707
----	---	--------

\$	0	\$ 2,890
	0	1,000
	0	218,105
	0	130,227
	53,450	53,450
	106,707	755,129
\$	160,157	\$1,160,801
\$	160,157	\$1,161,508

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balance for Governmental Funds	\$ 1,160,801
-------------------------------------------	--------------

Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	\$	219,181	
Buildings and Improvements		643,792	
Infrastructure		89,829	
Vehicles and Equipment		463,492	
Accumulated Depreciation		(335,514)	1,080,780

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 2,241,581
---------------------------------------	--------------

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN
GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	FIRE FUND	PUBLIC IMPROVEMENT
<u>REVENUES</u>			
Taxes	\$ 134,374	\$ 190,355	\$ 102,212
State Grants	94,635	0	0
Charges for Services	67,628	14,300	0
Interest and Rents	27,394	3,085	1,300
Other Revenues	3,434	730	0
Total Revenues	\$ 327,465	\$ 208,470	\$ 103,512
<u>EXPENDITURES</u>			
Legislative	\$ 51,432	\$ 0	\$ 0
General Government	143,309	0	0
Public Safety	0	145,821	0
Public Works	57,155	0	89,829
Culture and Recreation	5,449	0	0
Total Expenditures	\$ 257,345	\$ 145,821	\$ 89,829
Excess (Deficiency) of Revenues Over Expenditures	\$ 70,120	\$ 62,649	\$ 13,683
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	\$ 5,000	\$ 0	\$ 0
Transfers (Out)	0	(36,000)	0
Total Other Financing Sources (Uses)	\$ 5,000	\$ (36,000)	\$ 0
Net Change in Fund Balance	\$ 75,120	\$ 26,649	\$ 13,683
<u>FUND BALANCE</u> - Beginning of Year	577,192	191,456	116,544
<u>FUND BALANCE</u> - End of Year	\$ 652,312	\$ 218,105	\$ 130,227

The accompanying notes are an integral part of the financial statements.

OTHER NONMAJOR GOVERNMENTAL FUNDS		TOTALS
\$	0	\$ 426,941
	0	94,635
	0	81,928
	2,733	34,512
	5,000	9,164
<hr/>		<hr/>
\$	7,733	\$ 647,180
<hr/>		<hr/>
\$	0	\$ 51,432
	660	143,969
	0	145,821
	0	146,984
	0	5,449
<hr/>		<hr/>
\$	660	\$ 493,655
<hr/>		<hr/>
\$	7,073	\$ 153,525
<hr/>		<hr/>
\$	36,000	\$ 41,000
	(5,000)	(41,000)
<hr/>		<hr/>
\$	31,000	\$ 0
<hr/>		<hr/>
\$	38,073	\$ 153,525
	122,084	1,007,276
<hr/>		<hr/>
\$	160,157	\$ 1,160,801
<hr/>		<hr/>

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 153,525
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(64,051)
Capital Outlay	<u>116,679</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 206,153</u></u>

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash and Investments	\$ 453,013
	<hr/>
<u>LIABILITIES</u>	
Due to Other Funds	\$ 443,692
Due to Other Organizations and Individuals	9,321
	<hr/>
TOTAL LIABILITIES	\$ 453,013
	<hr/>

The accompanying notes are an integral part of the financial statements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Central Lake Township is a general law township located in Antrim County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

The Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributors, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Central Lake Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Public Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for road improvements.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Additionally Central Lake Township reports the following fund types:

Special revenue funds are used to account for specific revenue (other than expendable trusts or major capital projects) derived from State and Federal grants, general fund appropriations and charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with original maturities of three months or less from date of acquisition.

(I) The Township Board has authorized the Township Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository of a financial institution with a location within the State of Michigan.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by the Township Treasurer. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share. (Recommendation--the above limitation is recommended, however, the Treasurer may also include mutual funds whose net asset value may fluctuate on a periodic basis by so stating in this area).

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 15. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Central Lake Township totaled \$108,798,236, on which ad valorem taxes levied consisted of 0.9718 mills for Central Lake Township operating purposes. Additional mills were levied as follows:

Fire	1.8000
Public Improvement	0.9390

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings and Improvements	25-40
Land Improvements	10-20
Machinery and Equipment	5-10
Vehicles	5-10
Utility Systems	25-40
Infrastructure	20-40
Office Equipment	5

Central Lake Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township will capitalize and depreciate infrastructure beginning April 1, 2004, in accordance with the Township's capitalization policy.

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budgeted amounts presented are as originally adopted in March 16, 2005, or as amended by the Township Board from time to time throughout the year.

Budgets were prepared by fund and activity for the General and Fire Fund. Budgets were not adopted for the Public Improvement, Equipment Replacement, Budget Stabilization, Longevity and Perpetual Care Funds. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are on deposit with Alden State Bank in Central Lake, Michigan, Citizens Bank in Bellaire, Michigan and MBIA Asset Management in Armonk, NY.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$1,056,392 of the government's bank balance of \$1,303,527 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. All of the Township's investments are classified as category 1.

As of March 31, 2006 the Township held the following investments:

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

	CARRYING AMOUNT	FAIR VALUE
Investments – Primary Government		
MBIA Asset Management	\$ 177,354	\$ 177,354
Money Market	216,252	216,252
	<u>\$ 393,606</u>	<u>\$ 393,606</u>

A reconciliation of cash and investments follows:

	PRIMARY GOVERNMENT
Carrying amount of Deposits	\$ 713,998
Carrying amount of Investments	<u>393,606</u>
Total	<u>\$ 1,107,604</u>
Government-wide Statement of Net Assets	
Cash	\$ 260,985
Investments	393,606
Statement of Fiduciary Assets and Liabilities	
Cash	<u>453,013</u>
Total	<u>\$ 1,107,604</u>

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds are as follows:

	General	Fire	Public Improvement	Nonmajor	Total
Receivables					
Taxes	\$ 11,160	\$ 20,521	\$ 10,725	\$ 0	\$ 42,406
Due from Other Governments	20,819	0	0	0	20,819
	<u>\$ 31,979</u>	<u>\$ 20,521</u>	<u>\$ 10,725</u>	<u>\$ 0</u>	<u>\$ 63,225</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

C. Capital Assets

Governmental activities

Capital assets, not being depreciated

Land	\$ 219,181	\$ 0	\$ 0	\$ 219,181
------	------------	------	------	------------

Capital assets, being depreciated

Building and Improvements	\$ 634,012	\$ 9,780	\$ 0	\$ 643,792
---------------------------	------------	----------	------	------------

Infrastructure	0	89,829	0	89,829
----------------	---	--------	---	--------

Vehicles and Equipment	446,422	17,070	0	463,492
------------------------	---------	--------	---	---------

Total capital assets, being depreciated	\$1,080,434	\$ 116,679	\$ 0	\$ 1,197,113
-----------------------------------------	-------------	------------	------	--------------

Less Accumulated Depreciation for:

Building and Improvements	\$ 141,453	\$ 15,850	\$ 0	\$ 157,303
---------------------------	------------	-----------	------	------------

Infrastructure	0	2,994	0	2,994
----------------	---	-------	---	-------

Vehicles and Equipment	130,010	45,207	0	175,217
------------------------	---------	--------	---	---------

Total accumulated depreciation	\$ 271,463	\$ 64,051	\$ 0	\$ 335,514
--------------------------------	------------	-----------	------	------------

Total capital assets, being depreciated, net	\$ 808,971	\$ 52,628	\$ 0	\$ 861,599
----------------------------------------------	------------	-----------	------	------------

Governmental activities capital assets, net	\$1,028,152	\$ 52,628	\$ 0	\$ 1,080,780
---------------------------------------------	-------------	-----------	------	--------------

Depreciation expense was charged to functions/programs of the primary government as follows:

General Government	\$ 19,145
Public Safety	41,521
Public Works	3,385
Total	<u>\$ 64,051</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
General Fund	\$ 182,372	\$ 0
Fire Fund	169,833	0
Public Improvement Fund	91,487	0
Fiduciary Funds		
Current Tax Collection Fund	0	443,692
	<u>\$ 443,692</u>	<u>\$ 443,692</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund transfers as of March 31, 2006 were:

	<u>Transfers</u>	
	<u>In</u>	<u>Out</u>
<u>Primary Government</u>		
General Fund	\$ 5,000	\$ 0
Fire Fund	0	36,000
Perpetual Care Fund	0	5,000
Equipment Replacement Fund	25,000	0
Longevity Fund	11,000	0
	<u>\$ 41,000</u>	<u>\$ 41,000</u>

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. In addition, certain portions of unreserved fund balances have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

FUND BALANCE/NET ASSETS

Reserved for:

Telecommunications Right-Of-Way Maintenance	\$ 2,890
DTE Grant for Planting of Trees	1,000
Fire Protection	218,105
Public Improvement	130,227
Perpetual Care	<u>53,450</u>

TOTAL FUND BALANCE

RESERVES AND DESIGNATIONS	<u><u>\$ 405,672</u></u>
---------------------------	--------------------------

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions insurance and workers' compensation. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Pension Plan

The Township has a defined contribution pension plan for Michigan Township employees under contract with the Manufacturers Life Insurance Company. Listed below is a summary of the significant plan provisions adopted by Board resolution in June 1969 and amended in June 1996:

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

A. Eligibility Requirements

1. Attained age of 18 and not more than 75.
2. No minimum service requirement.
3. All elected officials and the assessor.

B. Contributions

1. A percentage of annual compensation (currently 10%) funded entirely by the Township on an annual basis.
2. Compensation determined by the basic annual rate of compensation in effect at the beginning of the plan year.
3. Township pays 100% of required annual contribution.

C. Vesting

1. Contributions are vested to the employee immediately upon early retirement, termination of services, death, disability, or normal retirement at 100% after 18 months of service.

D. Plan Administration

1. The plan is administered by the Township Clerk.

During the audit year, the total contribution for 2005-2006 was \$7,097. Covered payroll for the year was \$70,968 with total payroll for all employees of \$174,511. The plan was funded at the required contribution amount.

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	<u>GENERAL FUND</u>			<u>FIRE FUND</u>			<u>PUBLIC IMPROVEMENT FUND</u>		
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>
<u>REVENUES</u>									
Taxes	\$ 118,500	\$ 118,500	\$ 134,374	\$155,000	\$ 155,000	\$ 190,355	\$ 0	\$ 0	\$102,212
State Grants	85,000	85,000	94,635	0	0	0	0	0	0
Charges for Services	50,000	50,000	67,628	18,870	18,870	14,300	0	0	0
Interest and Rents	11,500	11,500	27,394	3,000	3,000	3,085	0	0	1,300
Other Revenues	0	0	3,434	0	0	730	0	0	0
Total Revenues	\$ 265,000	\$ 265,000	\$ 327,465	\$176,870	\$ 176,870	\$ 208,470	\$ 0	\$ 0	\$103,512
<u>EXPENDITURES</u>									
Legislative									
Township Board	\$ 42,220	\$ 49,520	\$ 51,432	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Government									
Supervisor	11,680	11,710	11,706	0	0	0	0	0	0
Election	5,675	5,675	10,066	0	0	0	0	0	0
Assessor	25,150	26,590	26,586	0	0	0	0	0	0
Clerk	19,116	19,141	19,138	0	0	0	0	0	0
Board of Review	2,082	2,082	1,500	0	0	0	0	0	0
Treasurer	26,785	27,005	26,564	0	0	0	0	0	0
Building and Grounds	33,578	33,578	30,657	0	0	0	0	0	0
Cemetery	20,184	20,184	17,092	0	0	0	0	0	0
Public Safety	0	0	0	164,870	164,870	145,821	0	0	0
Public Works	66,427	66,427	57,155	0	0	0	0	0	89,829
Culture and Recreation	11,372	8,057	5,449	0	0	0	0	0	0
Contingency	5,731	31	0	0	0	0	0	0	0
Total Expenditures	\$ 270,000	\$ 270,000	\$ 257,345	\$164,870	\$ 164,870	\$ 145,821	\$ 0	\$ 0	\$ 89,829
Excess (Deficiency) of Revenues Over Expenditures	\$ (5,000)	\$ (5,000)	\$ 70,120	\$ 12,000	\$ 12,000	\$ 62,649	\$ 0	\$ 0	\$ 13,683

	GENERAL FUND			FIRE FUND			PUBLIC IMPROVEMENT FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfer In	\$ 5,000	\$ 5,000	\$ 5,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Transfer Out	0	0	0	(12,000)	(12,000)	(36,000)	0	0	0
Total Other Financing Sources (Uses)	\$ 5,000	\$ 5,000	\$ 5,000	\$ (12,000)	\$ (12,000)	\$ (36,000)	\$ 0	\$ 0	\$ 0
Net Change in Fund Balance	\$ 0	\$ 0	\$ 75,120	\$ 0	\$ 0	\$ 26,649	\$ 0	\$ 0	\$ 13,683
<u>FUND BALANCE</u> - Beginning of Year	0	0	577,192	0	0	191,456	0	0	116,544
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 652,312	\$ 0	\$ 0	\$ 218,105	\$ 0	\$ 0	\$ 130,227

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUND TYPES

COMBINING BALANCE SHEET
MARCH 31, 2006

	<u>SPECIAL REVENUE</u>			<u>PERMANENT FUND</u>	<u>TOTAL NONMAJOR</u>
	<u>EQUIPMENT REPLACEMENT</u>	<u>BUDGET STABILIZATION</u>	<u>LONGEVITY</u>	<u>PERPETUAL CARE</u>	<u>GOVERNMENTAL FUNDS</u>
<u>ASSETS</u>					
Cash	\$ 72	\$ 26,133	\$ 10,389	\$ 53,450	\$ 90,044
Investments	26,119	14,933	29,061	0	70,113
 TOTAL ASSETS	 \$ 26,191	 \$ 41,066	 \$ 39,450	 \$ 53,450	 \$ 160,157
 <u>LIABILITIES AND FUND BALANCES</u>					
Liabilities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
 <u>FUND BALANCES</u>					
Reserved for:					
Perpetual Care	\$ 0	\$ 0	\$ 0	\$ 53,450	\$ 53,450
Unreserved	26,191	41,066	39,450	0	106,707
 Total Fund Balances	 \$ 26,191	 \$ 41,066	 \$ 39,450	 \$ 53,450	 \$ 160,157
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 26,191	 \$ 41,066	 \$ 39,450	 \$ 53,450	 \$ 160,157

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

NONMAJOR GOVERNMENTAL FUND TYPES

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2006

	SPECIAL REVENUE			PERMANENT FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	EQUIPMENT REPLACEMENT	BUDGET STABILIZATION	LONGEVITY	PERPETUAL CARE	
<u>REVENUES</u>					
Interest and Rents	\$ 38	\$ 1,548	\$ 883	\$ 264	\$ 2,733
Other Revenues	0	0	0	5,000	5,000
Total Revenues	\$ 38	\$ 1,548	\$ 883	\$ 5,264	\$ 7,733
<u>EXPENDITURES</u>					
Maintenance	\$ 0	\$ 0	\$ 0	\$ 660	\$ 660
Excess (Deficiency)of Revenues Over Expenditures	\$ 38	\$ 1,548	\$ 883	\$ 4,604	\$ 7,073
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers In	\$ 25,000	\$ 0	\$ 11,000	\$ 0	\$ 36,000
Transfers Out	0	0	0	(5,000)	(5,000)
Total Other Financing Sources (Uses)	\$ 25,000	\$ 0	\$ 11,000	\$ (5,000)	\$ 31,000
Net Change in Fund Balances	\$ 25,038	\$ 1,548	\$ 11,883	\$ (396)	\$ 38,073
<u>FUND BALANCE</u> - Beginning of Year	1,153	39,518	27,567	53,846	122,084
<u>FUND BALANCE</u> - End of Year	\$ 26,191	\$ 41,066	\$ 39,450	\$ 53,450	\$ 160,157

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 164,776
Investments	273,892
Taxes Receivable	11,160
Due from Other Funds	182,372
Due from Other Governments	<u>20,819</u>
 TOTAL ASSETS	 <u><u>\$ 653,019</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	<u>\$ 707</u>
------------------	---------------

FUND BALANCE

Reserved for	
Telecommunications Right-of-Way Maintenance	\$ 2,890
DTE Grant for Planting of Trees	1,000
Unreserved	<u>648,422</u>
 Total Fund Balance	 <u><u>\$ 652,312</u></u>

TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 653,019</u></u>
------------------------------------	--------------------------

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 118,500	\$ 118,500	\$ 134,374
State Grants	85,000	85,000	94,635
Charges for Services	50,000	50,000	67,628
Interest and Rents	11,500	11,500	27,394
Other Revenues	0	0	3,434
Total Revenues	\$ 265,000	\$ 265,000	\$ 327,465
<u>EXPENDITURES</u>			
Legislative			
Township Board	\$ 42,220	\$ 49,520	\$ 51,432
General Government			
Supervisor	11,680	11,710	11,706
Election	5,675	5,675	10,066
Assessor	25,150	26,590	26,586
Clerk	19,116	19,141	19,138
Board of Review	2,082	2,082	1,500
Treasurer	26,785	27,005	26,564
Building and Grounds	33,578	33,578	30,657
Cemetery	20,184	20,184	17,092
Public Works	66,427	66,427	57,155
Cultural and Recreation	11,372	8,057	5,449
Contingency	5,731	31	0
Total Expenditures	\$ 270,000	\$ 270,000	\$ 257,345
Excess (Deficiency) of Revenues			
Over Expenditures	\$ (5,000)	\$ (5,000)	\$ 70,120

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfer In	\$ 5,000	\$ 5,000	\$ 5,000
Net Change in Fund Balance	\$ 0	\$ 0	\$ 75,120
<u>FUND BALANCE</u> - Beginning of Year	0	0	577,192
<u>FUND BALANCE</u> - End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 652,312</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

FIRE FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 4,810
Investments	22,941
Taxes Receivable	20,521
Due from Other Funds	<u>169,833</u>
Total Assets	<u><u>\$ 218,105</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Reserved for Fire Protection	<u>218,105</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 218,105</u></u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>REVENUES</u>			
Taxes	\$ 155,000	\$ 155,000	\$ 190,355
Charges for Services	18,870	18,870	14,300
Interest and Rents	3,000	3,000	3,085
Other Revenues	0	0	730
Total Revenues	\$ 176,870	\$ 176,870	\$ 208,470
<u>EXPENDITURES</u>			
Salaries and Wages	\$ 72,800	\$ 72,800	\$ 72,199
Payroll Taxes	5,570	5,570	5,523
Supplies - Including Medical	7,650	7,650	5,396
Gas and Oil	2,000	2,000	1,835
Professional Services	2,900	2,900	2,026
Fire Prevention	1,200	1,200	131
Telephone	1,750	1,750	1,687
Memberships and Dues	250	250	80
Insurance	14,250	14,250	14,521
Utilities	5,500	5,500	5,232
Maintenance and Repairs	13,000	13,000	4,413
Registration Fees	3,000	3,000	3,785
Miscellaneous	500	500	62
Capital Outlay	27,000	27,000	27,198
Equipment Replacement	5,000	5,000	1,733
Contingency	2,500	2,500	0
Total	\$ 164,870	\$ 164,870	\$ 145,821
Excess (Deficiency) of Revenues Over Expenditures	\$ 12,000	\$ 12,000	\$ 62,649

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	BUDGET		ACTUAL
	ORIGINAL	FINAL	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	(12,000)	(12,000)	(36,000)
Net Change in Fund Balance	\$ 0	\$ 0	\$ 26,649
<u>FUND BALANCE</u> - Beginning of Year	0	0	191,456
<u>FUND BALANCE</u> - End of Year	\$ 0	\$ 0	\$ 218,105

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

PUBLIC IMPROVEMENT FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 1,355
Investments	26,660
Taxes Receivable	10,725
Due from Other Funds	<u>91,487</u>
 TOTAL ASSETS	 <u><u>\$ 130,227</u></u>

LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
 <u>FUND BALANCE</u>	
Reserved for Public Improvement	<u>130,227</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 130,227</u></u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

PUBLIC IMPROVEMENT FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

FOR THE YEAR ENDED MARCH 31, 2006

	<u>ACTUAL</u>
<u>REVENUES</u>	
Taxes	\$ 102,212
Interest and Rents	<u>1,300</u>
Total Revenues	\$ 103,512
<u>EXPENDITURES</u>	
Public Works	
Road Maintenance	<u>89,829</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ 13,683
<u>FUND BALANCE</u> - Beginning of Year	<u>116,544</u>
<u>FUND BALANCE</u> - End of Year	<u><u>\$ 130,227</u></u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2006

	<u>BALANCE</u>			<u>BALANCE</u>
	<u>4/1/2005</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>3/31/2006</u>
<hr/>				
<u>ASSETS</u>				
Cash	\$ 10,403	\$ 3,605,241	\$ 3,162,631	\$ 453,013
<hr/>				
<u>LIABILITIES</u>				
Due to Other Funds	\$ 2,768	\$ 922,062	\$ 481,138	\$ 443,692
Due to Other Organizations and Individuals	7,630	103,559	101,868	9,321
Due to Other Governments	5	2,227,204	2,227,209	0
<hr/>				
Total Liabilities	\$ 10,403	\$ 3,252,825	\$ 2,810,215	\$ 453,013
<hr/>				

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$	694,725	
County - State Education Tax		653,284	
District Library		37,943	
Ambulance		51,074	
Township			
Operating		105,750	
Fire		190,355	
Roads		102,182	
Schools			
Central Lake Public Schools		1,170,422	
Ellsworth Community Schools		4,579	
Intermediate School			
Charlevoix Emmet Intermediate School		<u>294,064</u>	\$ 3,304,378

TAXES COLLECTED

County	\$	325,340	
County - State Education Tax		597,405	
District Library		33,950	
Ambulance		45,694	
Township			
Operating		94,591	
Fire		169,833	
Roads		91,419	
Schools			
Central Lake Public Schools		1,035,268	
Ellsworth Community Schools		4,092	
Intermediate School			
Charlevoix Emmet Intermediate School		<u>263,088</u>	<u>2,660,680</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES RETURNED DELINQUENT

County	\$	369,385	
County - State Education Tax		55,879	
District Library		3,993	
Ambulance		5,380	
Township			
Operating		11,159	
Fire		20,522	
Roads		10,763	
Schools			
Central Lake Public Schools		135,154	
Ellsworth Community Schools		487	
Intermediate School			
Charlevoix Emmet Intermediate School		<u>30,976</u>	<u>\$ 643,698</u>

CENTRAL LAKE TOWNSHIP, ANTRIM COUNTY
CENTRAL LAKE, MICHIGAN

STATEMENT OF 2005 INDUSTRIAL FACILITIES TAX ROLL
MARCH 31, 2006

	TAXABLE VALUATION	MILLS LEVIED	TAXES ASSESSED	TAXES COLLECTED	TAXES RETURNED DELINQUENT
County	\$ 64,700	4.072	\$ 264	\$ 264	\$ 0
District Library	64,700	0.175	11	11	0
Ambulance	64,700	0.235	15	15	0
Township					
Operating	64,700	0.486	32	32	0
Roads	64,700	0.469	30	30	0
School					
Central Lake Public Schools	64,700	9.700	628	628	0
Intermediate School					
Charlevoix Emmet Intermediate School	64,700	1.351	87	87	0
			<u>\$ 1,067</u>	<u>\$ 1,067</u>	<u>\$ 0</u>

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Central Lake Township
Antrim County
Central Lake, Michigan

During the course of our audit of the basic financial statements of Central Lake Township for the year ended March 31, 2006, we noted the following items:

Budgeting

The Township did not adopt budgets for the following funds: Public Improvement, Equipment Replacement, Budget Stabilization, Longevity and Perpetual Care. To be in compliance with P.A. 621 the Township should adopt budgets for the General Fund and each Special Revenue fund.

Cash Not Reconciled

Accounts within the Township were not reconciled to the bank and books during the year. The Michigan Department of Treasury Account Procedures Manual requires that this be done on a monthly basis, and that the Clerk and Treasurer reconcile to each other at least monthly. Setting up separate bank accounts for each fund, as well as better communication between the Clerk and Treasurer will help correct this problem.

Balance in Tax Collection Fund

At year end, a balance existed in the Tax Collection Fund. All monies collected by this fund should be timely paid out in accordance with state law.

Telecommunications Right-of-Way Revenues

The state restricts the use of these monies to specific items, such as road construction and street lighting. As a result \$2,890 of the General Fund fund balance is restricted. We recommend that this money and all future Telecommunication revenues be used for road construction and road maintenance projects.

Contributions

During the year the Township provided support to the Local Little League Program. According to state statute, we believe this is an unlawful expenditure of Township funds. In the future, the Township should determine the legality of donating funds to local organizations prior to expending the funds.

Property Tax Administration Fee

The Township is charging a property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs and that the Board pass a motion to write off the loss annually.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the Township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
231-775-9789
FAX: 231-775-9749

M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Central Lake Township
Antrim County
Central Lake, Michigan

In planning and performing our audit of the basic financial statements of Central Lake Township, Antrim County, Central Lake, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.